U.S. Cellular Corporation

Federal-State Joint Board on Universal Service

CC Docket No. 96-45

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Overview

- U.S. Cellular's Success in Bringing New Investment to Rural America.
- The Commission Must Enforce the Core Principle of Competitive Neutrality.
- The Current System of "Per Line" Support Prevents Construction of Multiple Networks in High-Cost Areas.
- Properly Targeting Support is Critical to Controlling Fund Growth and Driving Investment to High-Cost Areas.
- States Must be Given Guidance That the Broad Preemption Contained in Section 332 Must be Honored.

Competitive Neutrality

- Section 254 is about delivering choices to rural consumers, not protecting any class of carrier.
- All U.S. Cellular asks is competitively neutral rules of the road, not a set aside.
- Intercarrier compensation, LNP delays, access to numbers, and illegal wireline tariffs must all be dealt with to ensure consumers have competitive choices.
- Proposals to limit fund growth by having regulators pick winners must be rejected. All qualified carriers should be granted ETC status under a system that requires investment which is targeted to high-cost areas.

Per-Line Support Limits Fund Growth and Prevents Stranded Investment

- Drives efficient competitive entry: competitors must assess customer and support revenue streams before entering.
- Investment must be made first. 100% at risk, which punishes inefficient investment.
- De facto cap on support to competitors. Removes from regulators the need to pick winners or limit number of entrants.
- Multiple ETCs cannot construct facilities in highest cost areas – not enough lines to capture.
- Subsequent entrants either do not choose ETC status or they must resell to meet ETC obligations.

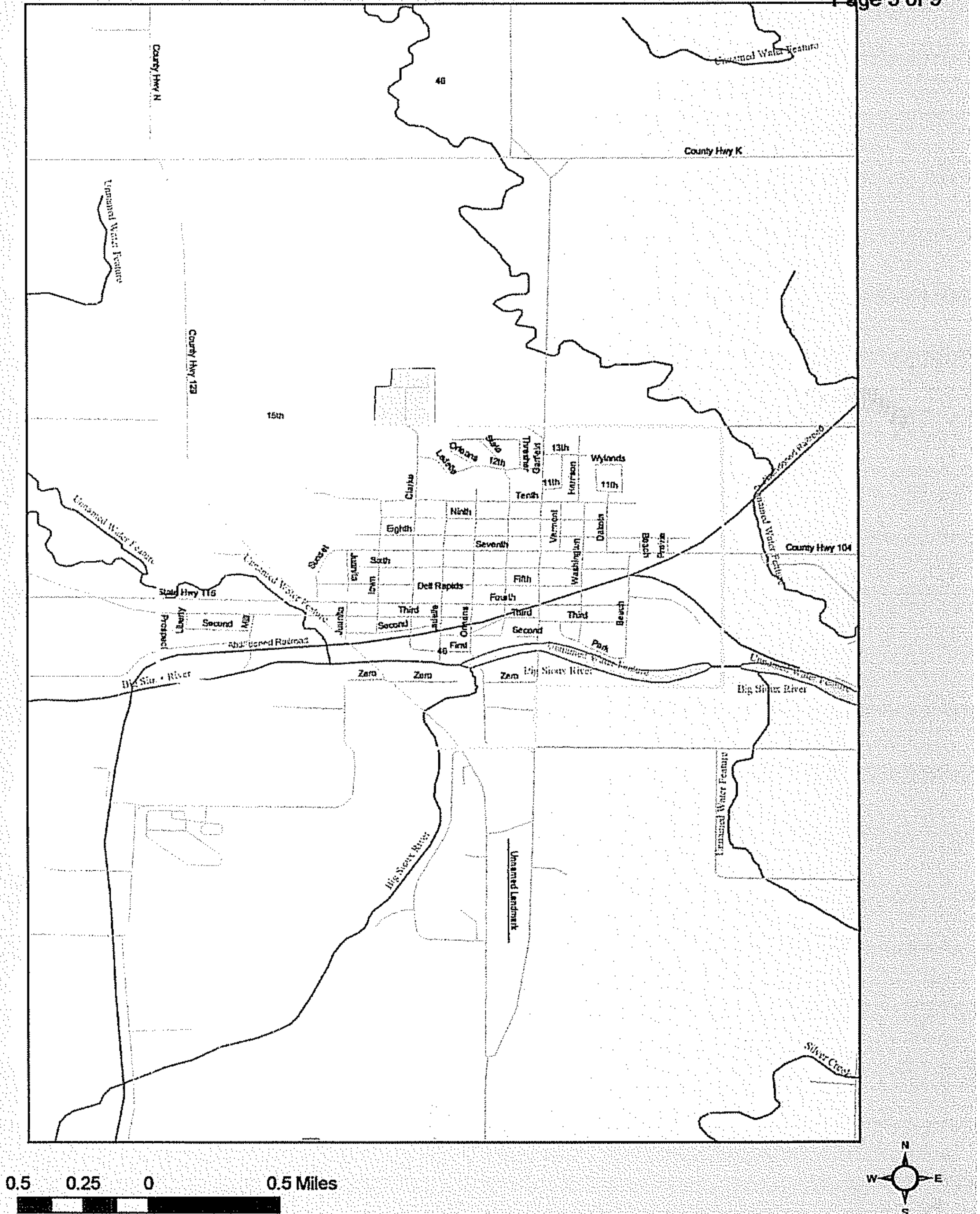
Support Must Be Accurately Targeted to High-Cost Areas

- Protecting ILECs from supported entry in low-cost areas is important. Competition is already there.
- The 2001 RTF Order set out a very effective means of introducing competition in every area while targeting high-cost support to high-cost areas.
- ILECs agreed disaggregation needed to protect their low-cost areas.
- Disaggregation solves the "partial wire center" problem - makes it irrelevant where a competitor enters as an ETC.
- Non-rural areas are disaggregated by wire center, enabling competitors to target new investment to high-cost areas.
- Arbitrarily limiting CETC entry in high-cost areas harms consumers.
- Virginia Cellular and some state decisions denying ETC in both low and high-cost areas harm consumers because of the failure to require support to be targeted (the Waynesboro-Bergton problem).

Legend

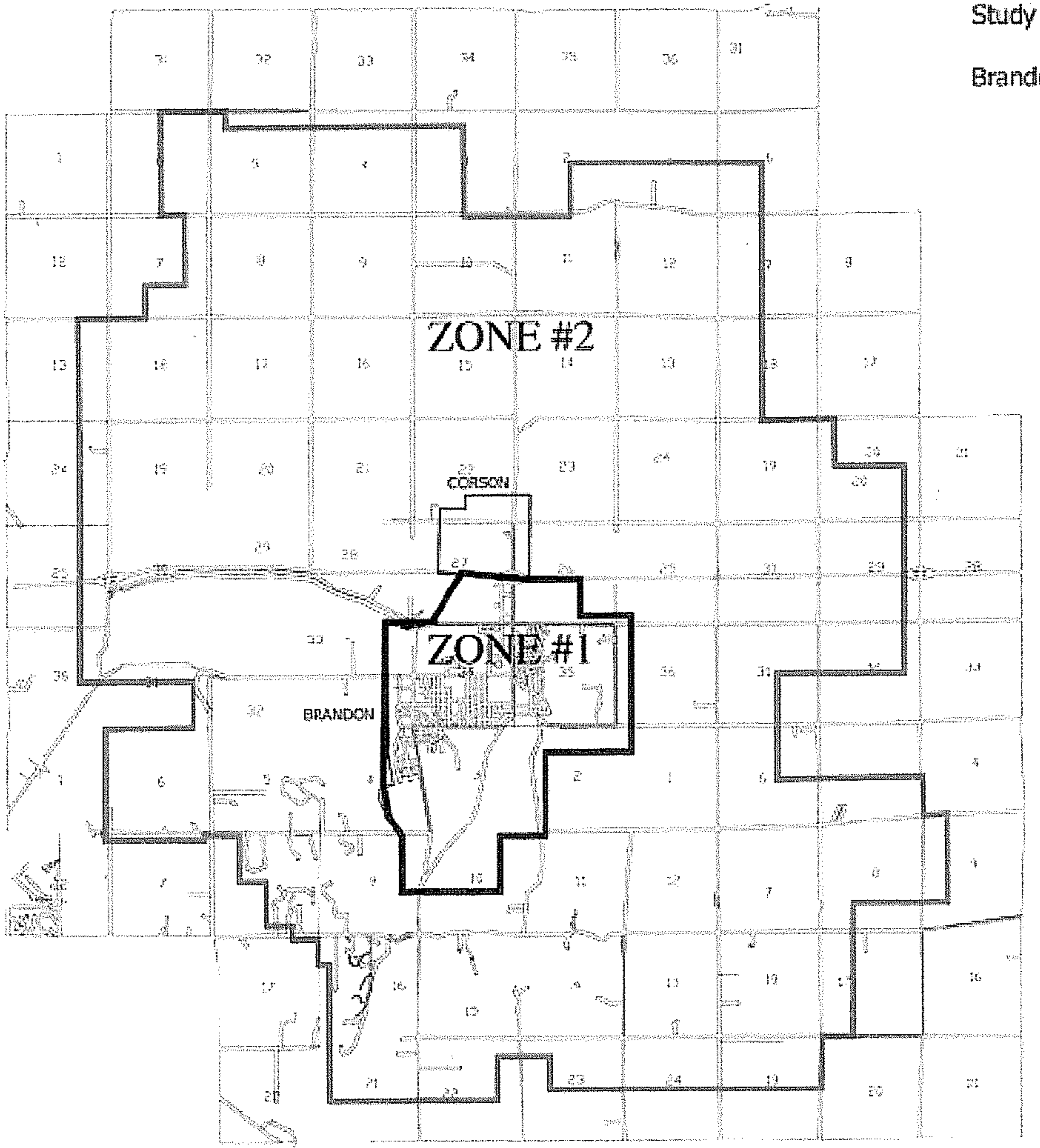
= Zone 2

Sioux Valley Telephone Company
USAC No. 391677
Town of Dell Rapids Detail



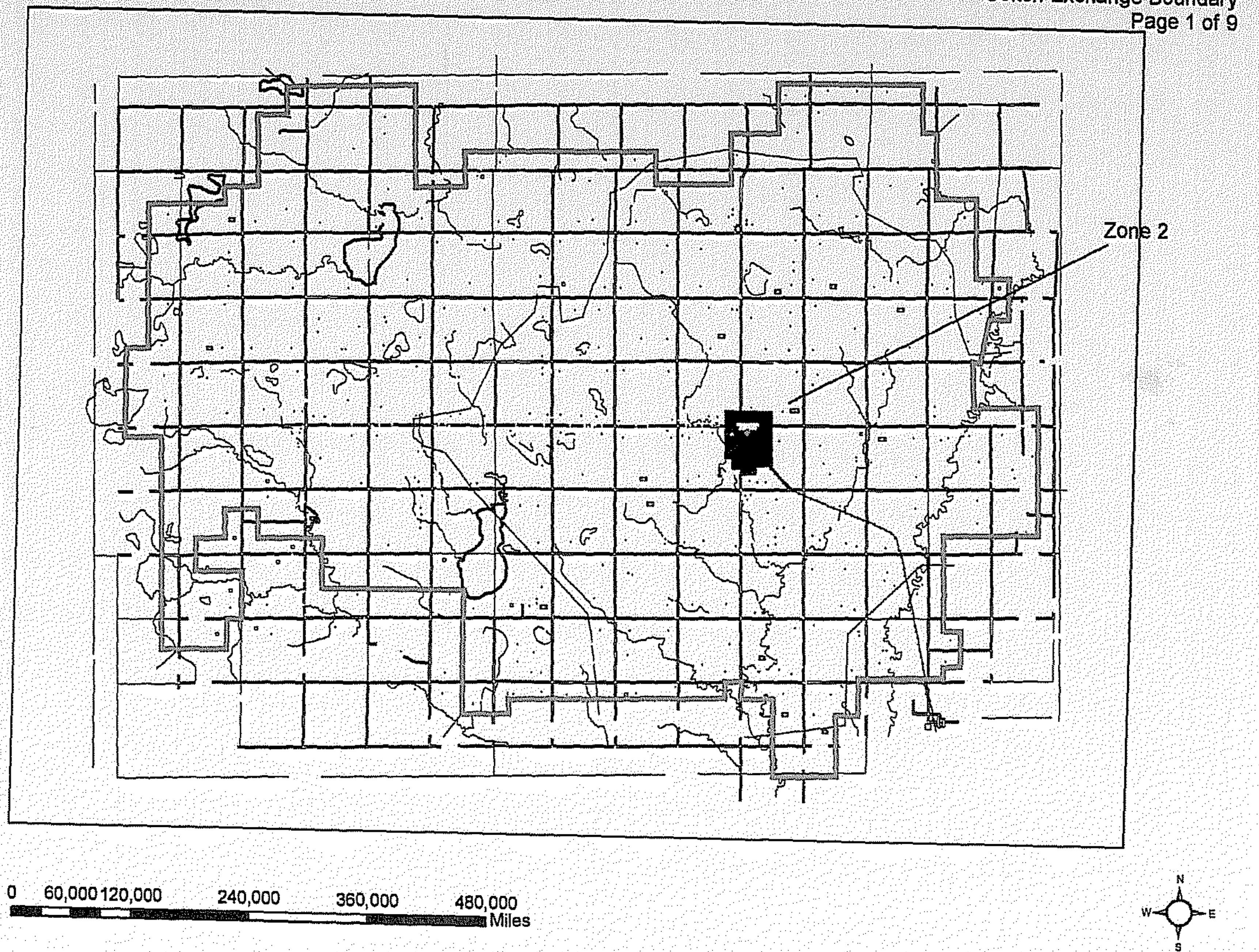
Splitrock Telecom Cooperative, Inc.
Study Area Code: 391657

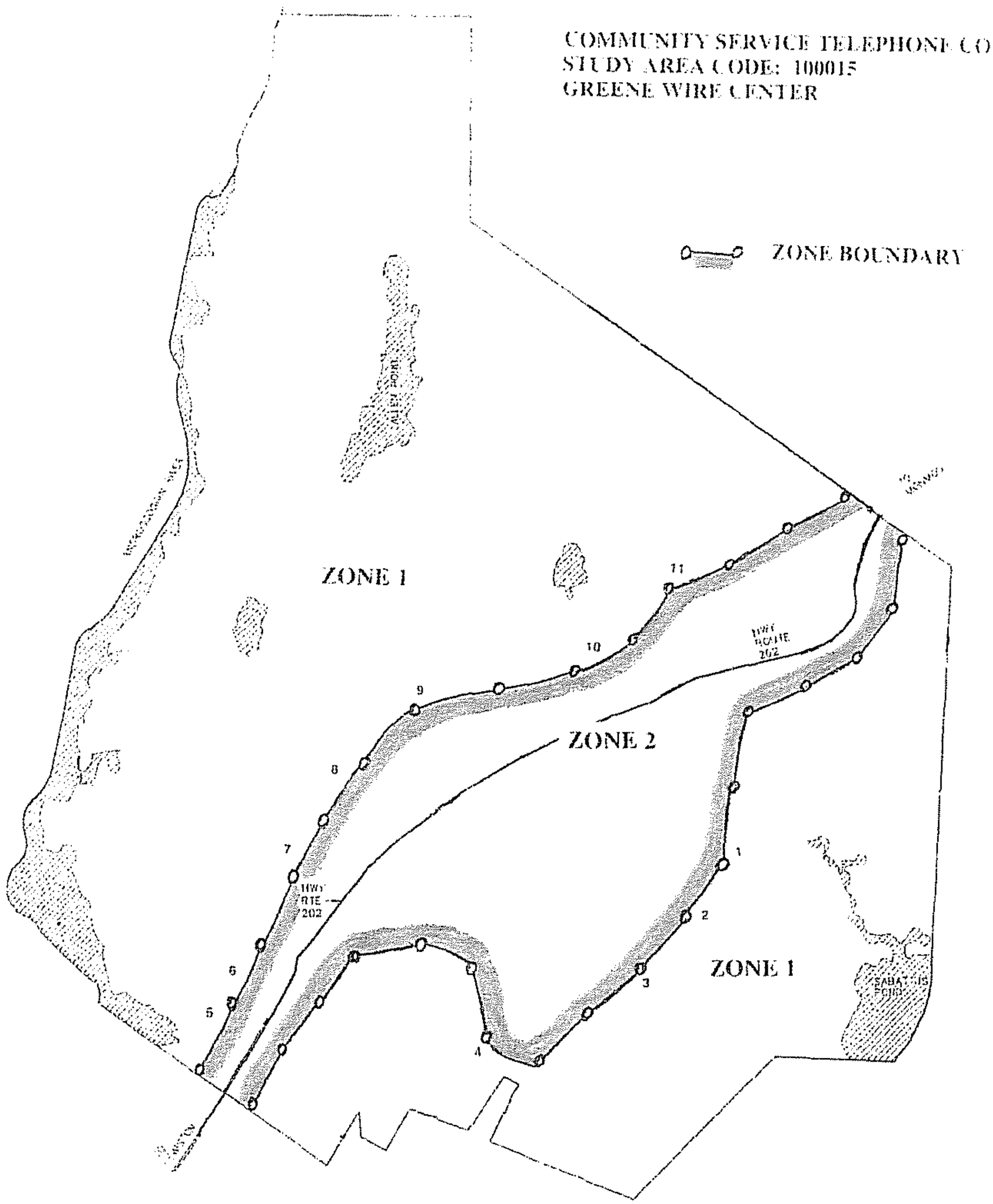
Brandon Exchange



USF Disaggregation
Zone 1 = Entire Exchange less Town of Colton
Zone 2 = See page 2 of 9 for details

Sioux Valley Telephone Company
USAC No. 391677
Colton Exchange Boundary

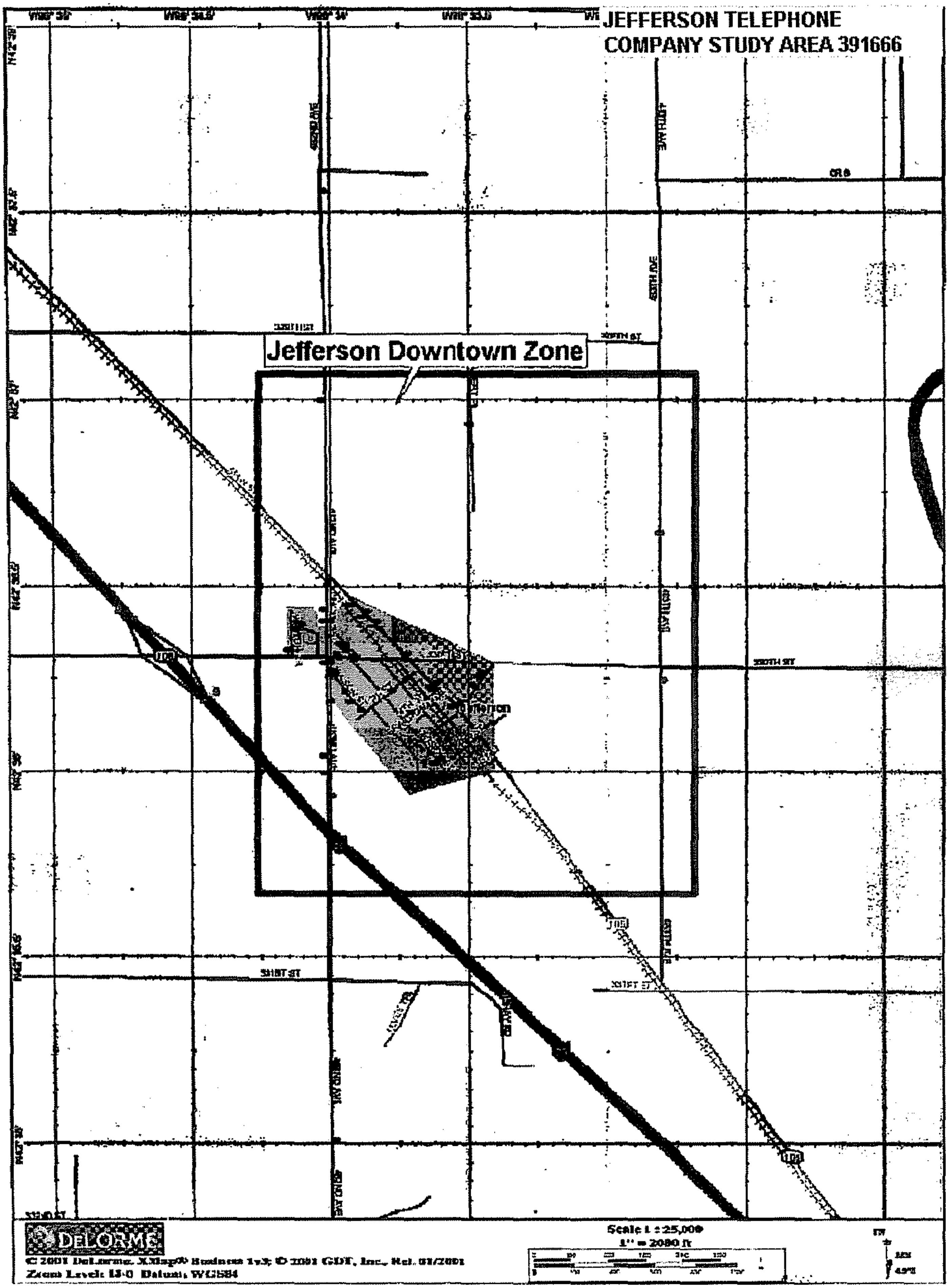




WIRE CENTER EXTERNAL BOUNDARIES ARE AS FILED WITH THE MAINE PUBLIC UTILITIES COMMISSION

POINTS WHERE ROADS INTERSECT ZONE BOUNDARY

1 90 Bull Run Road
2 330 Sawyer Road
3 70 Coburn Road
4 425 College Road
5 85 South River Road
6 50 Saunders Road
7 60 Meadow Hill Road
8 40 Merrill Hill Road
9 160 Patten Road
10 100 Allen Pond Road
11 160 Gray Road


JEFFERSON TELEPHONE
COMPANY STUDY AREA 391666
Jefferson Downtown Zone
DELORME
© 2001 DeLorme. XMap® Business 1v3; © 2001 GDT, Inc., Rel. 01/2001
Zoom Level: 13-0 Datum: WGS84
Scale 1 : 25,000
1" = 2080 ft

Highland Cellular example:

Table 1

Wire Center Name	Number of Customers	Support Available	Total
Athens	686	$11.92	$8,177.12
Bluefield	**3,470**	**$11.92**	**$41,362.40**
Bluewell	640	$11.92	$7,628.80
Bramwell	113	$11.92	$1,346.96
Matoaka	239	$11.92	$2,848.88
Oakvale	198	$11.92	$2,360.16
Princeton	**4,521**	**$11.92**	**$53,890.32**
Frankford	282	$37.72	$10,637.04
Rupert	27	$16.80	$453.60

Total Without Disaggregation: $128,705.28

Highland Cellular example:

Table 2

Wire Center Name	Number of Customers	Support Available	Total
Athens	686	$38.24	$26,232.64
Bluefield	**3,470**	**$0.00**	**$0.00**
Bluewell	640	$20.44	$13,081.60
Bramwell	113	$20.44	$2,309.72
Matoaka	239	$38.24	$9,139.36
Oakvale	198	$38.24	$7,571.52
Princeton	**4,521**	**$0.00**	**$0.00**
Frankford	282	$34.04	$9,599.28
Rupert	27	$23.80	$642.60

Total With Disaggregation: $68,576.72

Section 332 Preemption Must be Honored

- Virginia Cellular Properly Set the Bar for ETC Designation.
- Most states are designating ETCs under similar or more stringent standards.
- The Commission should reiterate its prior holding that Section 332 preemption is in effect for CMRS carriers that are ETCs.
- For example, some states are conditioning ETC designation on:
  - Submitting to rate regulation in various forms.
  - Requiring minimum local usage on mobile plans, but not wireline plans.
  - Imposing ILEC-style service requirements on wireless ETCs with one size fits all approach.
  - Imposing coverage requirements that only apply to wireless carriers.
  - Various other conditions that collectively form barriers to entry.

Final Points

- Rules must drive wireless investment, not inhibit it.
- FCC should adopt Virginia Cellular model and monitor all carriers' use of support to ensure investment in rural high-cost areas.
- Rural consumers are paying into the fund but are getting only a trickle of benefits for their investment. Wireless now contributes over $2 billion per year, 90% of it going to ILEC competitors.
- FCC must continue its policy of promoting efficient investment – controlling fund growth by limiting entry by qualified carriers does not serve consumers who want choices now.
- States now understand the critical health/safety and economic development benefits that new ETCs are delivering. FCC must encourage investment in rural America.